



STATE OF CALIFORNIA
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FTB NOTICE 2005 - 2

April 19, 2005

**SUBJECT: SOLICITATION OF PUBLIC INPUT FOR EXAMPLES OF
PROPOSED AMENDMENTS TO CALIFORNIA CODE OF
REGULATIONS, TITLE 18, SECTION 25110(d)(2)(F)3.**

On December 1, 2004, the Franchise Tax Board published FTB Notice 2004-8. Pursuant to that Notice, a symposium was held on February 10, 2005, to discuss the proposed draft amendments to California Code of Regulations, title 18, section 25110(d)(2)(F)3. The existing regulation provides rules for computing deductions against effectively connected income of a foreign corporation which is included in a water's-edge combined report. The proposed amendments will provide guidance in computing deductions against non-effectively connected income of a foreign corporation included in a water's-edge combined report. A summary of comments offered at the symposium and the FTB's response to those comments may be viewed at <http://www.ftb.ca.gov/law/meetings/attachments/032905/5.pdf>.

At the meeting of the Franchise Tax Board held on Tuesday, March 29, 2005 at 450 N Street, Room 121, Sacramento, California, 95814, the three-member Franchise Tax Board directed the staff to work with the public to provide example(s) under the proposed amendment to regulation section 25110(d)(2)(F)3. In accord with that direction, the staff hereby requests any interested parties to describe the areas in which examples would be appropriate and useful and, if possible to submit draft example(s) to the Franchise Tax Board. Examples should be sent to the attention of John Su.

The department has scheduled a symposium to propose and discuss the example(s) on Monday, May 23, 2005, at the Franchise Tax Board, Central Office, 9645 Butterfield Way, Sacramento, CA, in the new Town Center Auditorium of Phase III, beginning at 1:30 p.m. If you have any questions regarding the symposium, please contact Ms. Berwick at the Franchise Tax Board Legal Department, P.O. Box 1720, Rancho Cordova, CA 95741-1720; Tel.: (916) 845-3306; Fax: (916) 845-3648; E-Mail: Colleen.Berwick@ftb.ca.gov.

The principal author of this notice is John Su of the Franchise Tax Board, Legal Department. For further information regarding this notice, contact Mr. Su at the Franchise Tax Board, Legal Department, P.O. Box 1720, Rancho Cordova, CA 95741-1720; Tel.: (213) 897-5222; Fax: (916) 843-2420; E-Mail: John.Su@ftb.ca.gov.